

STATE OF NEW JERSEY
BUREAU OF SECURITIES
P.O. Box 47029
Newark, New Jersey 07101
(973) 504-3600

IN THE MATTER OF:

Michael McCarty

CRD # 1091017

SUMMARY
REVOCATION ORDER

Michael McCarty
47 N. 23rd Street
Surf City, New Jersey 08008

Pursuant to the authority granted to the Chief of the New Jersey Bureau of Securities ("Bureau") by the Uniform Securities Law, as amended, L. 1997, c. 276, N.J.S.A. 49:3-47 et seq., ("Law"), more particularly, N.J.S.A. 49:3-58, and after careful review and due consideration of United States Securities and Exchange Commission ("SEC") Order Instituting Administrative Proceeding Pursuant to Section 15(b)(6) of the Securities Exchange Act of 1934, Making Findings, and Imposing Sanctions (Release No. 47325), on February 6, 2003, the Bureau Chief has determined that the agent registration of Michael McCarty shall be **REVOKED** for the reasons that follow:

1. Michael McCarty, (" McCarty") residing at 47 N. 23rd Street, Surf City, New Jersey 08008 had been registered with the Bureau as a registered representative for the period beginning January 10, 1992, when he was a registered representative of Datek Online Brokerage Services Corporation (CRD # 5209), and ending February 6, 2003 when his registration was terminated with Heartland Securities Corporation ("Heartland") (CRD # 43201).

2. McCarty was registered with the Bureau as a registered representative of Heartland from December 1997 through February 2003.

3. On January 14, 2003, the SEC filed a complaint in the United States District Court for the Southern District of New York against McCarty and other respondents, Securities and Exchange Commission v. Sheldon Maschler, et al., 03 CV 0264 (S.D.N.Y.), alleging that they had engaged in a widespread fraudulent scheme to execute proprietary trades illegally through the Nasdaq Stock Market's Small Order Execution System ("SOES"), resulting in tens of millions of dollars in illegal profits. McCarty and others used the SOES to execute millions of proprietary trades, instead of using the SOES system for its lawful purpose, executing trades on behalf of individual investors.

4. On January 23, 2003, a Final Judgment of the United States District Court for the Southern District of New York was entered against McCarty which, *inter alia*, permanently enjoined him from violating Section 17(a) of the Securities Act of 1933 and Section 10(b) of the Exchange Act and Rule 10b-5 thereunder, and from aiding and abetting violations of Sections 15(b) and 17(a) (1) of the Exchange Act and Rules 15b3-1, 15b7-1, 17a-3(a)(1), 17a-3(a)(2), 17a-3(a)(3), 17a-3(a)(7), 17a-3(a)(9), and 17a-3(a)(12) promulgated thereunder.

5. In anticipation of these administrative proceedings, McCarty submitted an Offer of Settlement ("Offer"), which the SEC accepted. On February 6, 2003, the SEC entered an order that McCarty be barred from association with any broker or dealer.

MCCARTY IS THE SUBJECT OF AN ORDER ENTERED WITHIN THE PAST FIVE YEARS BY THE SECURITIES AND EXCHANGE COMMISSION SUSPENDING OR EXPELLING HIM FROM ASSOCIATION WITH ANY BROKER OR DEALER UNDER THE SECURITIES EXCHANGE ACT OF 1934

N.J.S.A. 49:3-58(a)(1)
N.J.S.A. 49:3-58(a)(2)(vi)

6. The preceding paragraphs are incorporated by reference as though set forth verbatim herein.

7. Pursuant to N.J.S.A. 49:3-58(a):

[t]he bureau chief may by order deny, suspend, or revoke any registration if he finds: (1) that the order is in the public interest; and (2) that the applicant or registrant ...(vi)...is the subject of an order of the Securities and Exchange Commission...expelling him from a national securities or commodities exchange...or association registered under the Securities Exchange Act of 1934...

8. By Order Instituting Administrative Proceeding Pursuant to Section 15(b)(6) of the Securities Exchange Act of 1934, Making Findings, and Imposing Sanctions, on February 6, 2003, the SEC barred McCarty from association with any broker or dealer.

9. Pursuant to N.J.S.A. 49:3-58(a)(2)(vi), the bureau chief is authorized to deny, suspend, or revoke any registration if he finds that the applicant is the subject of an order entered within the past five years by the Securities Exchange Commission, suspending or expelling the applicant from an association registered under the Security Exchange Act of 1934, if the denial is based on facts which would currently constitute grounds for an order under New Jersey law.

MCCARTY HAS ENGAGED IN DISHONEST OR UNETHICAL PRACTICES IN THE
SECURITIES BUSINESS
N.J.S.A. 49:3-58(a)(2)(vii)


10. The preceding paragraphs are incorporated by reference as though set forth verbatim herein.

11. The foregoing conduct by McCarty constitutes dishonest or unethical practices in the securities business, which is good cause, pursuant to N.J.S.A. 49:3-58(a)(2)(vii), and it is in the public interest, pursuant to N.J.S.A. 49:3-58(a)(1), to revoke McCarty's registration as a securities agent of Heartland.

12. Based upon the foregoing, the revocation of McCarty's registration is in the public interest and necessary for the protection of investors.

CONCLUSION

For the reasons stated above, it is on this 21st DAY of July, 2003 **ORDERED** that the agent registration of Michael McCarty with Heartland Securities Corporation be **REVOKED** pursuant to N.J.S.A. 49:3-58(a)(1) and N.J.S.A. 49:3-58(a)(2)(vi) and (vii).


Franklin L. Widmann
Chief, Bureau of Securities

DATED: July 21, 2003

NOTICE OF RIGHT TO HEARING

Pursuant to the Uniform Securities Law (1997), N.J.S.A. 49:3-47 et seq., specifically, N.J.S.A. 49:3-58(c), the bureau chief shall entertain on no less than three days notice, a written application to lift the summary revocation on written application of the applicant or registrant and in connection therewith may, but need not, hold a hearing and hear testimony, but shall provide to the applicant or registrant a written statement of the reasons for the summary revocation.

This matter will be set down for a hearing if a written request for such a hearing is filed with the Bureau within 15 days after the respondent receives this Order. A request for a hearing must be accompanied by a written response, which addresses specifically each of the allegations set forth in the Order. A general denial is unacceptable. At any hearing involving this matter, an individual respondent may appear on his/her own behalf or be represented by an attorney.

Orders issued pursuant to this subsection to suspend or revoke any registration shall be subject to an application to vacate upon 10 days' notice, and a preliminary hearing on the order to suspend or revoke any registration shall be held in any event within 20 days after it is requested, and the filing of a motion to vacate the order shall toll the time for filing an answer and written request for a hearing.

If no hearing is requested, the Order shall be entered as a Final Order and will remain in effect until modified or vacated. If a hearing is held, the Bureau Chief shall affirm, vacate or modify the order in accord with the findings made at the hearing.

NOTICE OF OTHER ENFORCEMENT REMEDIES

You are advised that the Uniform Securities Law provides several enforcement remedies, which are available to be exercised by the Bureau Chief, either alone or in combination. These remedies include, in addition to this action revoking your registration, the right to seek and obtain injunctive and ancillary relief in a civil enforcement action, N.J.S.A. 49:3-69, and the right to seek and obtain civil penalties in an administrative or civil action, N.J.S.A. 49:3-70.1.

You are further advised that the entry of the relief requested does not preclude the Bureau Chief from seeking and obtaining other enforcement remedies against you in connection with the claims made against you in this action.